

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2012**

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ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2011 Election)

Rod Foster	President	2011
Jim Boyer	Vice President	2013
Howard Taylor	Board Member	2011
Jen VonBank	Board Member	2013
Karen Thackery	Board Member	2013

(After September, 2011 Election)

Jim Boyer	President	2013
Jen VonBank	Vice President	2013
Karen Thackery	Board Member	2013
George Walker	Board Member	2015
Wayne Mathine	Board Member	2015

SCHOOL OFFICIALS

Randy Collins	Superintendent
Erin Rogers	District Secretary/Treasurer



Independent Auditors' Report

To the Board of Education of the
Armstrong-Ringsted Community School District

We have audited the accompanying financial statements of the governmental activities, business-type activity, each major fund and the aggregate remaining fund information of Armstrong-Ringsted Community School District, Armstrong, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activity, each major fund, and the aggregate remaining fund information of Armstrong-Ringsted Community School District as of June 30, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2013, on our consideration of Armstrong-Ringsted Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and pages 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Armstrong-Ringsted Community School District's basic financial statements as a whole. We did not audit, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended prior to June 30, 2011. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
February 20, 2013

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Armstrong-Ringsted Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

General fund revenues decreased from \$4,382,212 in fiscal 2011 to \$4,183,695 in fiscal 2012, while General fund expenditures increased from \$3,582,476 in fiscal 2011 to \$3,797,856 in fiscal 2012. The District's General fund balance increased from \$1,212,889 at the end of fiscal 2011 to \$1,600,449 at the end of fiscal 2012, a 32% increase.

The decrease in General fund revenues was attributable primarily to the decrease of property taxes and state foundation aid. To offset some of this decrease, miscellaneous revenues were increased by sharing numerous positions with neighboring districts. In turn, expenditures increased in the areas of support services, namely from expensing the entire salaries of shared positions, such as superintendent, and business services. Transportation expenses increased, as a result of a sports sharing agreement with the Sentral and North Kossuth community school districts. The General fund balance increase is the result of controlling expenditures.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Nets Assets and a Statement of Activities. These provide information about the activities of Armstrong-Ringsted Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financials statements report Armstrong-Ringsted Community School District's operations in more detail than the government-wide statements provide information about the most significant funds. The remaining statements provide financial information about activities for which Armstrong-Ringsted Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

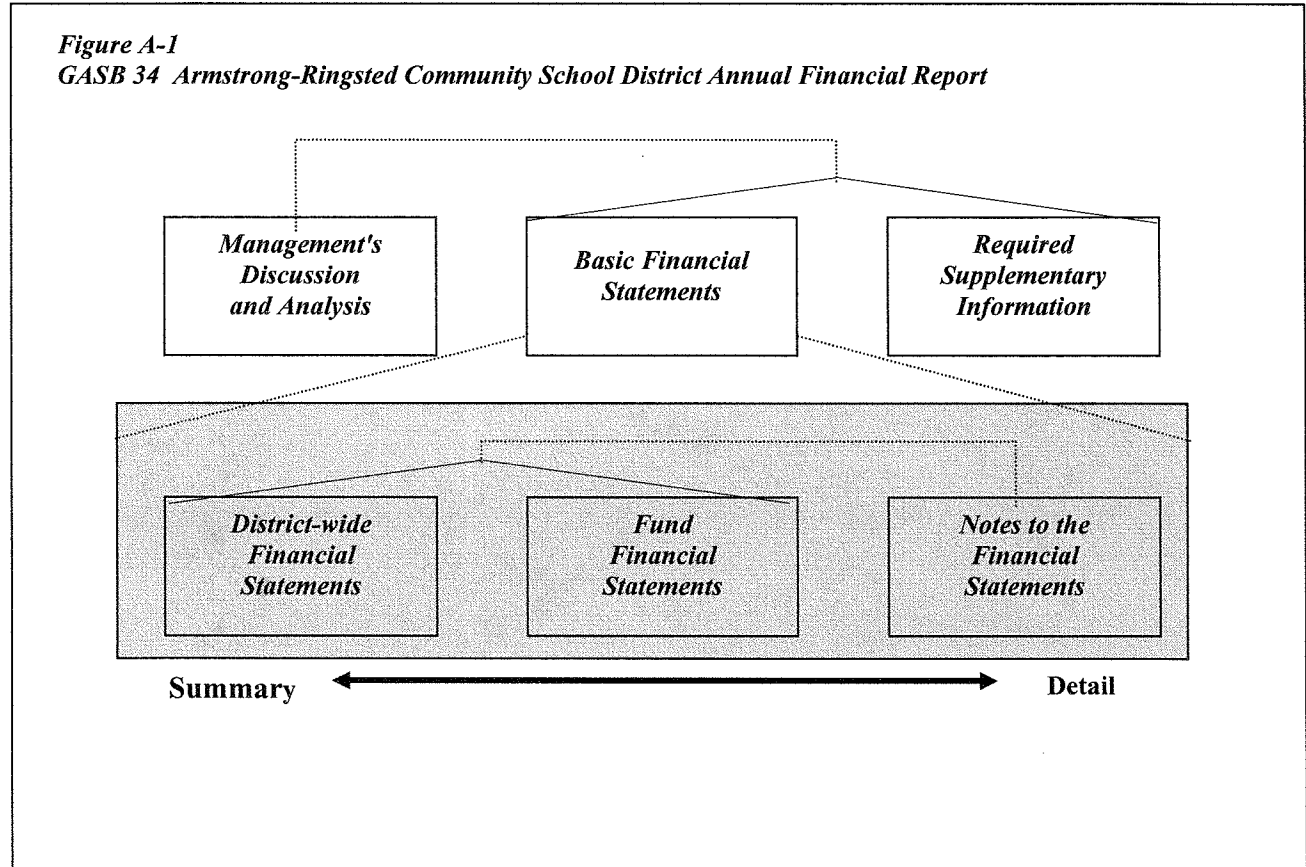


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statement

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.
- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's fiduciary fund includes an agency fund. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The required financial statements for fiduciary funds include a statement of fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activity		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-2012
Current and Other Assets	\$5,631,765	\$5,269,898	\$ 16,349	\$ 20,914	\$5,648,114	\$5,290,812	6.8%
Capital Assets	4,029,244	3,982,218	261	1,141	4,029,505	3,983,359	1.2%
Total Assets	9,661,009	9,252,116	16,610	22,055	9,677,619	9,274,171	4.4%
Current Liabilities	2,436,034	2,577,644	1,873	1,128	2,437,907	2,578,772	-5.5%
Non-Current Liabilities	2,046,939	2,142,109	-	-	2,046,939	2,142,109	-4.4%
Total Liabilities	4,482,973	4,719,753	1,873	1,128	4,484,846	4,720,881	-5.0%
Net Assets:							
Invested in Capital Assets,							
Net of Related Debt	1,922,705	1,944,075	261	1,141	1,922,966	1,945,216	-1.1%
Restricted	1,511,701	1,386,517	-	-	1,511,701	1,386,517	9.0%
Unrestricted	1,743,630	1,201,771	14,476	19,786	1,758,106	1,221,557	43.9%
Total Net Assets	\$5,178,036	\$4,532,363	\$ 14,737	\$ 20,927	\$5,192,773	\$4,553,290	14.0%

The District's combined net assets increased 14.0% or approximately \$650,000, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$128,000 or 9.0%, over the prior year. The increase was primarily a result of an increase in the management fund balance due to less early retirement expenses and the PPEL fund balance due to less capital expenses.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints, established debt covenants, enabling legislation or other legal requirements – increased approximately \$540,000, or 43.9%. This increase of unrestricted net assets was primarily a result of controlled spending and implementing shared staffing decisions.

Figure A-4 shows the changes in net assets.

Figure A-4

Changes in Net Assets from Operations

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2012	2011	2012	2011	2012	2011	
Revenue:							
Program Revenue:							
Charges for Services	\$ 571,807	\$ 287,376	\$ 89,622	\$ 78,427	\$ 661,429	\$ 365,803	80.82%
Operating Grants and Contributions	614,343	919,194	78,905	73,386	693,248	992,580	-30.16%
General Revenues:							
Property Tax	2,378,610	2,591,224	-	-	2,378,610	2,591,224	-8.21%
Income Surtax	219,864	217,098	-	-	219,864	217,098	
SSSU Tax	230,527	257,777	-	-	230,527	257,777	-10.57%
State Grants	1,061,171	1,025,993	-	-	1,061,171	1,025,993	3.43%
Interest Income	26,980	8,297	-	-	26,980	8,297	225.18%
Miscellaneous	80,324	30,918	-	-	80,324	30,918	159.80%
Total Revenues	5,183,626	5,337,877	168,527	151,813	5,352,153	5,489,690	-2.51%
Expenses:							
Instruction	2,652,725	2,661,624	-	-	2,652,725	2,661,624	-0.33%
Support Services	1,280,821	1,065,767	-	-	1,280,821	1,065,767	20.18%
Non-Instructional	-	-	174,717	162,167	174,717	162,167	7.74%
Other Expenses	464,144	457,771	-	-	464,144	457,771	1.39%
Total Expenses	4,397,690	4,185,162	174,717	162,167	4,572,407	4,347,329	5.18%
Change in Net Assets	\$ 785,936	\$ 1,152,715	\$ (6,190)	\$ (10,354)	\$ 779,746	\$ 1,142,361	-31.74%

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86% of the total expenses.

The District's total revenues were approximately \$5.3 million, of which \$5.2 million was for governmental activities and \$168 thousand was for business type activities.

As show in Figure A-4, the district as a whole experienced a 2.51% decrease in revenues and a 5.18% increase in expenses. The decrease in Governmental Activities revenues was attributable mainly to the decrease in property taxes and other programming revenues. The increase in expenditures resulted from expensing the entire contracts of shared personnel.

Governmental Activities

Revenues for governmental activities for the year ended June 30, 2012 were \$5,183,626 and expenses were \$4,396,225.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5 - Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	% Change	2012	2011	% Change
Instruction	\$ 2,652,725	\$ 2,661,624	-0.33%	\$ 1,590,349	\$ 1,604,527	-0.88%
Support Services	1,280,821	1,065,767	20.18%	1,280,821	1,058,711	20.98%
Other Expenses	464,144	457,771	1.39%	340,370	315,354	7.93%
Total	<u>\$ 4,397,690</u>	<u>\$ 4,185,162</u>	<u>5.08%</u>	<u>\$ 3,211,540</u>	<u>\$ 2,978,592</u>	<u>7.82%</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$571,807 in 2012.
- Federal and state governments subsidized certain programs and grants and contributions totaling \$614,343 in 2012.
- The net cost of governmental activities was financed with \$2,829,001 in property taxes and other taxes and \$1,061,171 in unrestricted state grants.

Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$168,527 representing an 11% increase over the prior year, while expenses totaled \$174,717, a 7.7% increase over the prior year. (Refer to Figure A-4.) The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Increased food costs account for the increase in expenses.

INDIVIDUAL FUND ANALYSIS

As previously noted, Armstrong-Ringsted Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,057,932, a twenty-six percent increase over last year's ending fund balances of \$2,423,543. The reason for increase was mainly due to maintaining lower expenditures.

Governmental Fund Highlights

The District attempted to maintain its General Fund balance by sharing staff and cutting expenses from portions of the budget that were not already obligated, such as supplies and maintenance items.

The General Fund balance increased from \$1,214,610 to \$1,600,449 due, in part, to its cost containment measures, including sharing the superintendent position with Graettinger-Terril Community School District. Other sharing arrangements include transportation director, maintenance, business services, and other support services positions.

The Management Fund balance increased from \$104,091 to \$231,680 due to increased revenues, decreased early retirement benefits paid, and a decrease in unemployment tax rates.

The Capital Projects Fund, Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$528,282 at the end of fiscal year 2011 to \$667,387 at the end of fiscal year 2012. This was due to fewer capital project expenses.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased from \$20,927 at the end of fiscal year 2011 to \$14,737 at the end of fiscal year 2012. This was due to an increase in employee benefits paid and increased food costs.

Budgetary Highlights

The Armstrong-Ringsted Community School District did not amend its annual budget during the fiscal year ending June 30, 2012.

The District's revenues were \$180,969 more than budgeted, primarily due to the increase of miscellaneous revenues and other federal sources revenues.

Total expenditures were less than budgeted expenses primarily due to maintaining control over expenditures.

CAPITAL AND DEBT ADMINISTRATION

At June 30, 2012, the District had invested \$3.9 million, net of accumulated depreciation, in a broad range of assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. This represents a net increase of 0.12% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Total depreciation expense for the year was \$285,756.

The original cost of the District's capital assets was \$8,206,443. Governmental funds account for \$8,195,883 with the remainder of \$10,560 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity was due to the purchase of a new bus and building improvements.

Figure A-6 - Capital Assets

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2012	2011	2012	2011	2012	2011	
Land	\$ 20,000	\$ 20,000	\$ -	\$ -	\$ 20,000	\$ 20,000	0.00%
Constuction in Progress	40,971	-	-	-	40,971	-	0.00%
Buildings & Improvements	3,488,397	3,543,168	-	-	3,488,397	3,543,168	-1.55%
Equipment, Furniture & Vehicles	479,876	419,050	261	1,141	480,137	420,191	14.27%
Total	\$ 4,029,244	\$ 3,982,218	\$ 261	\$ 1,141	\$ 4,029,505	\$ 3,983,359	1.16%

Long-Term Debt

At year-end, the District had \$2,166,195 of long-term debt outstanding. This represents a decrease of approximately 4.5% from last year. See Figure A-7 below. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-7 - Long-Term Debt

	Total District		Total %
	2012	2011	Change
Early Retirement	\$ 40,107	\$ 90,472	-55.67%
Leases Payable	81,539	49,439	64.93%
Net OPEB liability	19,549	13,494	44.87%
QZAB bonds	1,000,000	1,000,000	0.00%
General Obligation Bonds	1,025,000	1,115,000	-8.07%
Total	\$2,166,195	\$2,268,405	-4.51%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could affect its financial health in the future:

- The District will need to monitor payroll expenses as they account for the vast majority of the budget.
- Alternative sources must be found due to funding inconsistencies on the parts of the federal and state governments.
- Enrollment increases and decreases will play a large part in determining the District's finances on a year to year basis. The legislature needs to ensure adequate allowable growth to properly fund education.
- The District continues operational sharing with neighboring districts.
- A whole grade sharing agreement with North Kossuth and Sentral will fully begin in the 2012-2013 school year. The three districts also share athletics.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional information, contact Erin Rogers, Business Manager, Armstrong-Ringsted Community School District, PO Box 75, Armstrong, IA 50514-0075.

BASIC FINANCIAL STATEMENTS

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government Governmental Activities	Business Type Activities	Total
Assets			
Cash and Pooled Investments:	\$ 2,995,446	\$ 11,451	\$ 3,006,897
Receivables:			
Property Tax	38,977	-	38,977
Property Tax - Succeeding Year	2,186,635	-	2,186,635
Income Surtax	243,777	-	243,777
Accounts	1,170	-	1,170
Due from Other Governmental Agencies	159,643	-	159,643
Internal Balances	6,117	(6,117)	-
Inventories	-	11,015	11,015
Land	20,000	-	20,000
Construction in Progress	40,971	-	40,971
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	3,968,273	261	3,968,534
Total Assets	<u>9,661,009</u>	<u>16,610</u>	<u>9,677,619</u>
Liabilities			
Accounts Payable	115,164	-	115,164
Accrued Wages and Payroll Liabilities	10,068	-	10,068
Accrued Interest Payable	3,446	-	3,446
Deferred Revenue - Succeeding Year Taxes	2,186,635	-	2,186,635
Unearned Revenue	-	1,873	1,873
Long-Term Liabilities:			
Debt Due Within One Year:			
Bonds Payable	90,000	-	90,000
Lease Payable	12,531	-	12,531
Early Retirement Payable	18,190	-	18,190
Debt Due in More Than One Year:			
Bonds Payable	935,000	-	935,000
Lease Payable	69,008	-	69,008
Early Retirement Payable	21,917	-	21,917
QZAB Loan Payable	1,000,000	-	1,000,000
Net OPEB Liability	21,014	-	21,014
Total Liabilities	<u>4,482,973</u>	<u>1,873</u>	<u>4,484,846</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,922,705	261	1,922,966
Restricted for:			
Physical Plant and Equipment Levy	667,387	-	667,387
Categorical Funding	79,581	-	79,581
Debt Service	3,818	-	3,818
Student Activities	38,520	-	38,520
School Infrastructure	512,632	-	512,632
Management Levy	209,763	-	209,763
Unrestricted	1,743,630	14,476	1,758,106
Total Net Assets	<u>\$ 5,178,036</u>	<u>\$ 14,737</u>	<u>\$ 5,192,773</u>

See Accompanying Notes to Financial Statements

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 1,463,997	\$ 406,697	\$ 316,416	\$ -
Special Instruction	576,126	61,281	23,837	-
Other Instruction	612,602	103,829	150,316	-
Support Services:				
Student Services	81,641	-	-	-
Instructional Staff Services	137,452	-	-	-
Administration Services	663,643	-	-	-
Operations and Maintenance	275,240	-	-	-
Transportation Services	122,845	-	-	-
Other Expenditures:				
Facilities Acquisition	34,071	-	-	-
Long-term Debt Interest and Fiscal Charges	39,904	-	-	-
AEA Flow-Through	123,774	-	123,774	-
Unallocated Depreciation*	266,395	-	-	-
Total Governmental Activities	4,397,690	571,807	614,343	-
Business-Type Activities:				
School Nutrition Fund	174,717	90,485	77,971	-
Total School District	\$ 4,572,407	\$ 662,292	\$ 692,314	\$ -

General Revenues:

Property Tax Levied For:
 General Purposes
 Management Levy
 Physical Plant and Equipment Levy
 Debt Service
Income Surtax
 General Purposes
 Capital Outlay
Statewide Sales and Services Tax
Unrestricted State Grants
Interest on Investments
Miscellaneous
Total General Revenues

Change in Net Assets

Net Assets - Beginning
Prior Period Adjustment
Net Assets - Beginning, as Restated

Net Assets - Ending

* This amount excludes the depreciation included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (740,884)		\$ (740,884)
(491,008)		(491,008)
(358,457)		(358,457)
(81,641)		(81,641)
(137,452)		(137,452)
(663,643)		(663,643)
(275,240)		(275,240)
(122,845)		(122,845)
(34,071)		(34,071)
(39,904)		(39,904)
-		-
(266,395)		(266,395)
(3,211,540)		(3,211,540)
-	\$ (6,261)	(6,261)
(3,211,540)	(6,261)	(3,217,801)
1,816,064	-	1,816,064
200,070	-	200,070
198,755	-	198,755
127,496	-	127,496
170,097	-	170,097
85,992	-	85,992
230,527	-	230,527
1,061,171	-	1,061,171
26,980	71	27,051
80,324	-	80,324
3,997,476	71	3,997,547
785,936	(6,190)	779,746
4,532,363	20,927	4,553,290
(140,263)	-	(140,263)
4,392,100	20,927	4,413,027
\$ 5,178,036	\$ 14,737	\$ 5,192,773

See Accompanying Notes to Financial Statements

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Management	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Pooled Investments	\$ 1,574,782	\$ 246,537	\$ 670,108	\$ 504,019	\$ 2,995,446
Receivables:					
Property Taxes	30,254	3,333	3,285	2,105	38,977
Property Taxes - Succeeding Year	1,472,323	300,000	288,784	125,528	2,186,635
Income Surtax	162,518	-	81,259	-	243,777
Other Accounts Receivable	600	-	-	570	1,170
Due from Other Governmental Agencies	96,042	-	-	63,601	159,643
Due from Other Funds	7,731	-	4,171	-	11,902
Total Assets	<u>3,344,250</u>	<u>549,870</u>	<u>1,047,607</u>	<u>695,823</u>	<u>5,637,550</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	94,721	-	8,563	11,879	115,163
Accrued Wages and Payroll Liabilities	10,068	-	-	-	10,068
Early Retirement Payable	-	18,190	-	-	18,190
Due to Other Funds	4,171	-	1,614	-	5,785
Succeeding Year Property Taxes	1,472,323	300,000	288,784	125,528	2,186,635
Succeeding Year Income Surtax	162,518	-	81,259	-	243,777
Total Liabilities	<u>1,743,801</u>	<u>318,190</u>	<u>380,220</u>	<u>137,407</u>	<u>2,579,618</u>
Fund Balances					
Restricted for:					
Categorical Funding	79,581	-	-	-	79,581
Debt Service	-	-	-	7,264	7,264
Student Activities	-	-	-	38,520	38,520
Management Levy	-	231,680	-	-	231,680
School Infrastructure	-	-	-	512,632	512,632
Physical Plant and Equipment	-	-	667,387	-	667,387
Unassigned	1,520,868	-	-	-	1,520,868
Total Fund Balances	<u>1,600,449</u>	<u>231,680</u>	<u>667,387</u>	<u>558,416</u>	<u>3,057,932</u>
Total Liabilities and Fund Balances	<u>\$ 3,344,250</u>	<u>\$ 549,870</u>	<u>\$ 1,047,607</u>	<u>\$ 695,823</u>	<u>\$ 5,637,550</u>

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2012**

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)	\$ 3,057,932
Income surtax receivable at June 30, 2012 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	243,776
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,029,244
Accrued interest payable on long term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(3,446)
Long-term liabilities, including bonds and notes payable, capital leases, long-term portion of early retirement and other postemployment benefits payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(2,149,470)</u>
Total Net Assets - Governmental Activities (page 13)	<u><u>\$ 5,178,036</u></u>

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General	Management	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
Revenues					
Local Sources:					
Local Tax	\$ 1,951,368	\$ 200,070	\$ 283,315	\$ 358,023	\$ 2,792,776
Tuition	278,721	-	-	-	278,721
Other	278,261	4,182	7,851	110,040	400,334
State Sources	1,422,573	82	87	56	1,422,798
Federal Sources	252,772	-	-	-	252,772
Total Revenues	<u>4,183,695</u>	<u>204,334</u>	<u>291,253</u>	<u>468,119</u>	<u>5,147,401</u>
Expenditures					
Instruction:					
Regular Instruction	1,471,659	-	-	-	1,471,659
Special Instruction	576,126	-	-	-	576,126
Other Instruction	484,102	-	-	128,500	612,602
Support Services:					
Student Services	81,641	-	-	-	81,641
Instructional Staff Services	137,452	-	-	-	137,452
Administration Services	427,681	56,775	178,687	500	663,643
Operations and Maintenance	292,045	16,064	-	-	308,109
Transportation Services	203,376	3,906	-	-	207,282
Other Expenditures:					
Facilities Acquisition	-	-	-	230,186	230,186
Long-Term Debt:					
Principal	-	-	-	154,400	154,400
Interest and Fiscal Charges	-	-	-	42,638	42,638
AEA Flow-Through	123,774	-	-	-	123,774
Total Expenditures	<u>3,797,856</u>	<u>76,745</u>	<u>178,687</u>	<u>556,224</u>	<u>4,609,512</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>385,839</u>	<u>127,589</u>	<u>112,566</u>	<u>(88,105)</u>	<u>537,889</u>
Other Financing Sources (Uses)					
Long-Term Debt Proceeds	-	-	96,500	-	96,500
Transfers Out	-	-	(69,961)	69,961	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>26,539</u>	<u>69,961</u>	<u>96,500</u>
Net Change in Fund Balance	<u>385,839</u>	<u>127,589</u>	<u>139,105</u>	<u>(18,144)</u>	<u>634,389</u>
Fund Balances at Beginning of Year	<u>1,212,889</u>	<u>161,035</u>	<u>528,282</u>	<u>588,677</u>	<u>2,490,883</u>
Prior Period Adjustment	<u>1,721</u>	<u>(56,944)</u>	<u>-</u>	<u>(12,117)</u>	<u>(67,340)</u>
Fund Balances - Beginning of Year, Restated	<u>1,214,610</u>	<u>104,091</u>	<u>528,282</u>	<u>576,560</u>	<u>2,423,543</u>
Fund Balances at End of Year	<u>\$ 1,600,449</u>	<u>\$ 231,680</u>	<u>\$ 667,387</u>	<u>\$ 558,416</u>	<u>\$ 3,057,932</u>

See Accompanying Notes to Financial Statements

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental funds (page 19)	\$	634,389
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Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. This represents the change in income surtax receivable from the prior year.		36,225
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	337,026	
Depreciation expense	<u>(284,876)</u>	52,150

Accrued interest expense that does not require current financial resources.		2,734
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Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on sale or disposal of fixed assets. This is the effect on the change in net assets on the statement of activities.		(5,124)
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Lease proceeds provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Assets.		(96,500)
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The repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The Statement of Activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was:		154,400
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early Retirement	15,182	
Other Postemployment Benefits	<u>(7,520)</u>	<u>7,662</u>

Change in Net Assets of Governmental Activities (page 16)	\$	<u><u>785,936</u></u>
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ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	School Nutrition Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 11,451
Inventories	11,015
Total Current Assets	<u>22,466</u>
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>261</u>
Total Assets	<u><u>22,727</u></u>
Liabilities	
Due to Other Funds	6,117
Unearned Revenue	1,873
Total Liabilities	<u><u>7,990</u></u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	261
Unrestricted	14,476
Total Net Assets	<u><u>\$ 14,737</u></u>

See Accompanying Notes to Financial Statements

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	School Nutrition Fund
Operating Revenues:	
Charges for Services	\$ 89,622
Miscellaneous	863
Total Operating Revenue	<u>90,485</u>
Operating Expenses:	
Non-Instructional Programs:	
Food Service Operations:	
Salaries	62,516
Benefits	16,370
Food	85,534
Supplies	7,595
Other Expense	1,822
Depreciation	880
Total Operating Expenses	<u>174,717</u>
Operating (Loss)	(84,232)
Non-Operating Revenue:	
Interest Income	71
State Lunch Reimbursements	1,689
National School Lunch Program	68,259
Federal Food Commodities Received	8,023
Total Non-Operating Revenue	<u>78,042</u>
Change in Net Assets	(6,190)
Net Assets - Beginning	<u>20,927</u>
Net Assets - Ending	<u><u>\$ 14,737</u></u>

See Accompanying Notes to Financial Statements

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	School Nutrition Fund
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 91,331
Cash Payments for Salaries and Benefits	(78,886)
Cash Payments for Goods and Services	(86,246)
Net Cash (Used) by Operating Activities	<u>(73,801)</u>
Cash Flows from Non-Capital Financing Activities	
Federal Appropriations Received	68,259
State Appropriations Received	1,689
Cash Received from General Fund	6,117
Net Cash Provided by Non-Capital Financing Activities	<u>76,065</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>71</u>
Net Increase in Cash and Cash Equivalents	2,335
Cash and Cash Equivalents at Beginning of Year	<u>9,116</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 11,451</u></u>
 Reconciliation of Operating (Loss) to Net Cash (Used) in Operating Activities:	
Operating (Loss)	\$ (84,232)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) in Operating Activities:	
Depreciation Expense	880
Commodities Used	8,023
Change in Assets and Liabilities:	
Decrease in Inventory	782
Decrease in Accounts Payable	(100)
Increase in Deferred Revenue	846
Net Cash (Used) by Operating Activities	<u><u>\$ (73,801)</u></u>
 Supplemental Schedule of Noncash Noncapital Financial Activities:	
Federal Food Commodities Received	<u><u>\$ 8,023</u></u>

See Accompanying Notes to Financial Statements

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
JUNE 30, 2012

Assets

Cash and Pooled Investments	\$ 33,377
Total Assets	<u>33,377</u>

Liabilities

Other Payables	33,377
Total Liabilities	<u>33,377</u>

Net Assets	<u><u>\$ -</u></u>
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See Accompanying Notes to Financial Statements

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Armstrong-Ringsted Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Armstrong and Ringsted, Iowa, and agricultural area in Palo Alto, Emmet, and Kossuth Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Armstrong-Ringsted Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Armstrong-Ringsted Community School District has no component units which meet the Governmental Accounting Standards Board criteria. However, the District has chosen to include as Agency Funds, all of the organizations included in Schedule 3.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto, Kossuth and Emmet County Assessor Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements – The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- ***Invested in Capital Assets***, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.
- ***Restricted Net Assets*** result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Assets*** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted Net Assets often have constraints on resources that are imposed which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.
- The **Management Fund** is used to account for a property tax levy per thousand dollars of assessed valuation in the District for insurance premiums, unemployment compensation insurance claims, and early retirement.
- The **Capital Projects Fund, Physical Plant and Equipment Levy** is used to account for the purchase of equipment and the repairing, remodeling, and construction of buildings and land improvements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash and Pooled Investments – The cash balances of the General and Management funds are pooled and invested, while all other funds have separate accounts. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2012 included certificates of deposits of \$354,284 with original maturity dates longer than three months.

Property Tax Receivable – Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,000
Buildings	\$ 10,000
Improvements other than Buildings	\$ 10,000
Furniture and Equipment:	
School Nutrition Fund Equipment	\$ 500
Other Furniture and Equipment	\$ 2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than Buildings	20 years
Furniture and Equipment	5 – 15 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Unearned revenue consists of unspent grant proceeds. Deferred revenue consists of property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the Non-Instructional Program and Other Expenditures functions exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Note 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2012, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less. The District's investments consist of certificates of deposit that have original maturities of less than 397 days.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 3 – CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2012, is as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Construction in Progress	-	40,971	-	40,971
Total Assets Not Being Depreciated	20,000	40,971	-	60,971
Capital Assets Being Depreciated				
Buildings and Improvements	6,621,199	110,405	-	6,731,604
Furniture and Equipment	1,225,658	185,648	8,000	1,403,306
Total Capital Assets Being Depreciation	7,846,857	296,053	8,000	8,134,910
Less: Accumulated Depreciation for:				
Buildings and Improvements	3,078,030	165,177	-	3,243,207
Furniture and Equipment	806,607	119,699	2,876	923,430
Total Accumulated Depreciation	3,884,637	284,876	2,876	4,166,637
Total Capital Assets Being Depreciated, Net	3,962,220	11,177	5,124	3,968,273
Governmental Activities Capital Assets, Net	3,982,220	52,148	5,124	4,029,244
Business-type Activity:				
Furniture and Equipment	10,560	-	-	10,560
Less Accumulated Depreciation	9,419	880	-	10,299
Business-Type Activity Capital Assets, Net	\$ 1,141	\$ (880)	\$ -	\$ 261

Depreciation expense was charged to the following functions:

Governmental Activities:	
Transportation Services	\$ 12,063
Regular Instruction	-
Operation and Maintenance	6,418
Unallocated	266,395
Total depreciation expense - governmental activities	<u>\$ 284,876</u>
Business-type Activities:	
Food Service Operations	<u>\$ 880</u>

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 3 – CAPITAL ASSETS (Continued)

Reconciliation of Investment in Capital Assets:

	Governmental Activities	Business-type Activity
Land	\$ 20,000	\$ -
Construction in Progress	40,971	261
Capital Assets (net of accumulated depreciation)	3,968,273	-
Less:		
Bonds Payable	(1,025,000)	-
Leases Payable	(81,539)	-
QZAB Payable	(1,000,000)	-
Investment in Capital Assets, Net of Related Debt	<u>\$ 1,922,705</u>	<u>\$ 261</u>

Note 4 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 1,115,000	\$ -	\$ 90,000	\$ 1,025,000	\$ 90,000
Capital Lease Payable	49,439	96,500	64,400	81,539	12,531
Early Retirement	90,472	-	50,365	40,107	18,190
Net OPEB Liability	13,494	7,520	-	21,014	-
Qualified Zone Academy Bonds	1,000,000	-	-	1,000,000	-
Long-Term Liabilities	<u>\$ 2,268,405</u>	<u>\$ 104,020</u>	<u>\$ 204,765</u>	<u>\$ 2,167,660</u>	<u>\$ 120,721</u>

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 4 – LONG-TERM LIABILITIES (Continued)

General Obligation Bonds

The District adopted a resolution, on June 15, 2009, providing for the issuance of \$1,285,000 in General Obligation School Refunding Bonds, Series 2009. Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30	Interest Rates	Principal	Interest
2013	2.30%	\$ 90,000	\$ 35,277
2014	2.60	90,000	33,208
2015	2.85	95,000	30,867
2016	3.10	95,000	28,160
2017	3.35	100,000	25,215
2018-2022	3.60-4.15	555,000	68,720
	Total	<u>\$ 1,025,000</u>	<u>\$ 221,447</u>

Qualified Zone Academy Bonds

The District borrowed \$1,000,000 under the Qualified Zone Academy Bonds (QZAB). This program is aimed at Districts with 35% or more free and reduced price meal eligibility. Funds can be used for renovation and repairs, energy saving measures, or technology. The debt is repaid from the same fund as the original expense is made from. This will primarily, if not entirely, be from the Capital Projects Fund. The notes are non-interest bearing. The District makes deposits of \$62,062 to the bank that goes into an interest-bearing reserve account with a guaranteed rate of 3.5%. At July 1, 2022, the District will have \$1,000,000 in the account from their deposits and interest to pay the loan.

Capital Lease

The District entered into a \$96,500 three year lease in April 2012, with purchase options, for a school bus. Three payments of \$14,961 are required with a fair market value purchase option at the end of the lease. The interest rate is 3.0%. The first payment was made in fiscal year 2012.

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 12,531	\$ 2,430
2014	12,905	2,056
2015	56,103	1,672
	<u>\$ 81,539</u>	<u>\$ 6,158</u>

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 4 – LONG-TERM LIABILITIES (Continued)

Early Retirement

The District offered a one-time voluntary early retirement plan during fiscal year 2010 to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed twenty-eight years of service as a full-time licensed employee to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives are equal to a total cash payment of \$24,000 payable in either two yearly installments of \$12,000 or four yearly installments of \$6,000.

The District offered a one-time voluntary early retirement plan during fiscal year 2011 to its certified employees. Eligible employees must be at least age fifty-six and employees must have completed twenty-nine years of service as a full-time licensed employee to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement incentives are equal to a total cash payment of \$30,000 payable in five yearly installments of \$6,000.

Early retirement benefits paid during the year ended June 30, 2012, totaled \$56,944. There were seven retired individuals receiving benefits at June 30, 2012.

Note 5 – INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2012, short-term interfund borrowings were as follows:

Fund Due To	Fund Due From	Amount
General Fund	Nutrition Fund	\$ 6,117
General Fund	PPEL	1,614
PPEL	General Fund	4,171
		<u>\$ 11,902</u>

The purpose of the interfund balance from the Nutrition Fund to the General Fund is reimbursement for insurance that was paid out of the General Fund that is related to the Nutrition Fund. The interfund balance in the amount of \$1,614 is the amount the PPEL Fund owes the General Fund for JMC software. The amount due from the General Fund to PPEL is for expenses that were not appropriate to be in the PPEL Fund.

Note 6 – PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P O Box 9117, Des Moines, Iowa 50306-9117.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 6 – PENSION AND RETIREMENT BENEFITS (Continued)

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$182,393, \$150,478, and \$138,087, respectively, equal to the required contributions for each year.

Note 7 – OTHER POSTEMPLOYMENT BENEFITS

During fiscal 2010, the District adopted the provisions of GASB 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions". The major change under GASB 45 is to attribute the cost of post-employment benefits to the time during which the employee is working for the employer.

Accordingly, a prospective liability is recorded at June 30, 2012 for a Post-Employment Benefit Obligation as determined by an actuarial calculation.

Plan Description. An employee who has a minimum of 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. Premiums are based on the full active employee premium rate.

Funding Policy. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and NET OPEB Obligation. The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 16,245
Interest on net OPEB obligation	337
Adjustment to annual required contribution	<u>(1,243)</u>
Annual OPEB cost (Expense)	15,339
Contributions made	<u>(7,819)</u>
Increase in net OPEB obligation	7,520
Net OPEB obligation - beginning of year	<u>13,494</u>
Net OPEB obligation - end of year	<u><u>\$ 21,014</u></u>

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 12,172	38.90%	\$ 7,439
2011	\$ 12,256	50.60%	\$ 13,494
2012	\$ 15,339	37.21%	\$ 21,014

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2009 was as follows:

Actuarial accrued liability (AAL)	\$ 166,014
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 166,014</u>
Covered payroll (active members)	<u>\$ 2,435,000</u>
UAAL as a percentage of covered payroll	6.82%

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 8 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$123,774 for the year ended June 30, 2012, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 9 – RISK MANAGEMENT

Armstrong-Ringsted Community School District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10- CATEGORICAL FUNDING

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Teacher Mentoring Program	\$ 6,298
Professional Development	45,150
Dropout Prevention	28,133
Total	<u>\$ 79,581</u>

Note 11 – PRIOR PERIOD ADJUSTMENTS

In the financial statements for prior years, errors were made in accounting for various transactions within the District's books. These errors have been corrected and have the following effect on the beginning fund balances during fiscal year June 30, 2012:

Governmental Fund Financial Statements

	<u>General Fund</u>	<u>Management Fund</u>	<u>Other Governmental Funds</u>
Beginning Fund Balance, As Previously Reported	\$ 1,212,889	\$ 161,035	\$ 588,677
Prior Period Adjustment	<u>1,721</u>	<u>(56,944)</u>	<u>(12,117)</u>
Beginning Fund Balance, As Restated	<u>\$ 1,214,610</u>	<u>\$ 104,091</u>	<u>\$ 576,560</u>

- General Fund: A cash account for the Flex Benefit Plan in the amount of \$1,721 was moved from an Internal Service Fund to the General Fund.
- Management Fund: Early retirement benefits totaling \$56,944 paid in July of 2011 needed to be a current liability and expensed in the prior year.
- Other Governmental Funds: In the Activity Fund \$14,318 of revenue was entered twice in the prior period overstating the fund balance. In the Debt Service Fund \$2,201 was needed to increase the fund balance due to an incorrect recording of an expense.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 11 – PRIOR PERIOD ADJUSTMENTS (Continued)

Government-Wide Financial Statements

	<u>Statement of Activities</u>
Beginning Fund Balance, As Previously Reported	\$ 4,532,363
Prior Period Adjustment	<u>(140,263)</u>
Beginning Fund Balance, As Restated	<u>\$ 4,392,100</u>

- Statement of Activities: Along with the adjustments described above, an additional \$72,923 was needed to correct the beginning balances of the QZAB Loan and early retirement. The QZAB Loan balance needed to increase by \$126,296, while the Early Retirement payable needed to decrease by \$53,373.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final to Actual Variance
Receipts					
Local Sources:					
Local Taxes	\$ 2,792,776	\$ -	\$ 2,792,776	\$ 2,585,424	\$ 207,352
Tuition	278,721	-	278,721	177,000	101,721
Other	400,334	90,556	490,890	753,000	(262,110)
State Sources	1,422,798	1,689	1,424,487	1,467,535	(43,048)
Federal Sources	252,772	76,282	329,054	152,000	177,054
Total Receipts	5,147,401	168,527	5,315,928	5,134,959	180,969
Expenditures					
Instruction	2,660,387	-	2,660,387	3,194,744	534,357
Support Services	1,398,127	-	1,398,127	1,977,812	579,685
Non-Instructional Programs	-	174,717	174,717	147,390	(27,327)
Other Expenditures	550,998	-	550,998	390,146	(160,852)
Total Expenditures	4,609,512	174,717	4,784,229	5,710,092	925,863
Excess (Deficiency) of Revenues Over Expenditures	537,889	(6,190)	531,699	(575,133)	1,106,832
Other Financing Sources (Uses)					
Long-Term Debt Proceeds	96,500	-	96,500	-	96,500
Total Other Financing Sources (Uses)	96,500	-	96,500	-	96,500
Change in Fund Balance	634,389	(6,190)	628,199	(575,133)	1,203,332
Fund Balance at Beginning of Year	2,490,883	20,927	2,511,810	2,511,810	-
Prior Period Adjustment	(67,340)	-	(67,340)	(67,340)	-
Fund Balance - Beginning of Year, Restated	2,423,543	20,927	2,444,470	2,444,470	-
Fund Balance at End of Year	\$ 3,057,932	\$ 14,737	\$ 3,072,669	\$ 1,869,337	\$ 1,203,332

See Accompanying Independent Auditor's Report

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, there were no budget amendments.

During the year ended June 30, 2012, expenditures in the Non-Instructional Program and Other Expenditures functions exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
YEAR ENDED JUNE 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	7/1/2009	\$ -	\$ 127,011	\$ 127,011	0%	\$ 2,220,000	5.7%
2011	7/1/2009	\$ -	\$ 124,823	\$ 124,823	0%	\$ 2,313,000	5.4%
2012	7/1/2009	\$ -	\$ 166,014	\$ 166,014	0%	\$ 2,435,000	6.8%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2012

SCHEDULE 1

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	
	Statewide Sales			
	Student Activity	Service and Use Tax	Debt Service	Total
Assets				
Cash and Cash Equivalents	\$ 46,533	\$ 452,327	\$ 5,159	\$ 504,019
Receivables:				
Property Tax	-	-	2,105	2,105
Succeeding Year Property Tax	-	-	125,528	125,528
Due from Other Governmental Agencies	2,796	60,805	-	63,601
Other	570	-	-	570
Total Assets	<u>49,899</u>	<u>513,132</u>	<u>132,792</u>	<u>695,823</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	11,379	500	-	11,879
Deferred Revenue - Succeeding Year Taxes	-	-	125,528	125,528
Total Liabilities	<u>11,379</u>	<u>500</u>	<u>125,528</u>	<u>137,407</u>
Fund Balances				
Restricted for:				
Student Activities	38,520	-	-	38,520
Statewide Sales, Service, and Use Tax	-	512,632	-	512,632
Debt Service	-	-	7,264	7,264
Total Fund Balances	<u>38,520</u>	<u>512,632</u>	<u>7,264</u>	<u>558,416</u>
Total Liabilities and Fund Balance	<u>\$ 49,899</u>	<u>\$ 513,132</u>	<u>\$ 132,792</u>	<u>\$ 695,823</u>

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE 2

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	
		Statewide Sales		
	Student Activity	Service and Use Tax	Debt Service	Total
Revenues				
Local Sources				
Local Tax	\$ -	\$ 230,527	\$ 127,496	\$ 358,023
Other	104,035	5,779	-	109,814
State Revenues	-	-	56	56
Interest	-	-	226	226
Total Revenues	<u>104,035</u>	<u>236,306</u>	<u>127,778</u>	<u>468,119</u>
Expenditures				
Instruction:				
Other Instruction	128,500	-	-	128,500
Support Services:				
Administration Services	-	-	500	500
Other Expenditures:				
Facilities Acquisition	-	230,186	-	230,186
Long-Term Debt				
Principal	-	-	154,400	154,400
Interest and Fiscal Charges	-	-	42,638	42,638
Total Expenditures	<u>128,500</u>	<u>230,186</u>	<u>197,538</u>	<u>556,224</u>
Excess (Deficiency) of Revenues Over Expenditures	(24,465)	6,120	(69,760)	(88,105)
Other Financing Sources (Uses)				
Transfers In	-	-	69,961	69,961
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>69,961</u>	<u>69,961</u>
Net Change in Fund Balances	(24,465)	6,120	201	(18,144)
Fund Balances at Beginning of Year	77,303	506,512	4,862	588,677
Prior Period Adjustment	(14,318)	-	2,201	(12,117)
Fund Balances - Beginning of Year, Restated	<u>62,985</u>	<u>506,512</u>	<u>7,063</u>	<u>576,560</u>
Fund Balances at End of Year	<u>\$ 38,520</u>	<u>\$ 512,632</u>	<u>\$ 7,264</u>	<u>\$ 558,416</u>

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Assets				
Cash	\$ 40,732	\$ 42,036	\$ 49,391	\$ 33,377
Liabilities				
Other Payables	\$ 40,732	\$ 42,036	\$ 49,391	\$ 33,377

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE 4

	Balance June 30, 2011	Revenues and Interfund Transfers	Expenditures	Balance June 30, 2012
Senior High/Junior High	\$ 43,346	\$ 51,497	\$ 55,163	\$ 39,680
Athletics	(2,220)	63,836	64,784	(3,168)
Elementary	21,569	6,526	26,087	2,008
Total for Activity Funds	<u>\$ 62,695</u>	<u>\$ 121,859</u>	<u>\$ 146,034</u>	<u>\$ 38,520</u>

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

Modified Accrual Basis of Accounting

	2012	2011	2010	2009	2008
Revenues:					
Local Sources:					
Local Tax	\$ 2,792,776	\$ 3,027,777	\$ 2,241,471	\$ 2,047,835	\$ 2,030,572
Tuition	278,721	287,376	203,011	203,470	243,263
Other	400,334	255,540	316,921	282,860	385,287
State Sources	1,422,798	1,457,111	1,329,860	1,538,756	1,593,625
Federal Sources	252,772	271,751	301,289	157,949	90,715
	<u>\$ 5,147,401</u>	<u>\$ 5,299,555</u>	<u>\$ 4,392,552</u>	<u>\$ 4,230,870</u>	<u>\$ 4,343,462</u>
Expenditures:					
Instruction:	\$ 2,660,387	\$ 2,671,569	\$ 2,675,110	\$ 2,688,949	\$ 2,570,080
Support Services:					
Student Services	81,641	75,421	24,764	29,517	154,489
Instructional Staff Services	137,452	59,490	73,189	95,673	92,379
Administration Services	663,643	411,173	323,754	389,140	420,329
Operations and Maintenance	308,109	479,924	426,502	554,705	436,556
Transportation Services	207,282	159,473	148,374	163,837	191,223
Central Support Services	-	-	-	-	-
Non-Instructional Programs	-	-	-	-	-
Other Expenditures:					
Facilities Acquisition	230,186	315,352	377,439	255,094	125,098
Long-term Debt:					
Principal	154,400	159,136	260,144	70,000	65,000
Interest and Other Charges	42,638	45,212	48,182	79,978	57,872
AEA Flowthrough	123,774	139,246	140,280	126,265	123,971
	<u>\$ 4,609,512</u>	<u>\$ 4,515,996</u>	<u>\$ 4,497,738</u>	<u>\$ 4,453,158</u>	<u>\$ 4,236,997</u>

SCHEDULE 5

2007	2006	2005	2004	2003
\$ 1,795,260	\$ 1,746,181	\$ 2,098,077	\$ 2,168,354	\$ 2,155,361
230,328	212,314	224,679	225,388	177,070
330,536	294,668	268,605	221,619	252,402
1,555,247	1,458,858	1,260,638	1,962,192	1,102,784
114,380	112,358	251,576	129,948	60,594
\$ 4,025,751	\$ 3,824,379	\$ 4,103,575	\$ 4,707,501	\$ 3,748,211
\$ 2,626,052	\$ 2,485,767	\$ 2,321,291	\$ 2,187,923	\$ 2,204,189
59,250	79,631	49,275	50,953	63,044
78,654	82,658	63,851	57,982	61,861
415,980	407,162	421,238	408,665	329,835
399,193	608,028	280,037	244,612	340,633
184,899	199,062	195,960	144,750	229,499
-	-	-	-	1,072
-	-	-	779	-
312,616	82,365	434,042	2,560,698	411,609
60,000	60,000	55,000	35,000	-
59,973	61,073	62,122	78,528	-
122,539	113,850	112,875	112,778	120,525
\$ 4,319,156	\$ 4,179,596	\$ 3,995,691	\$ 5,882,668	\$ 3,762,267

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**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of the
Armstrong-Ringsted Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of Armstrong-Ringsted Community School District, Armstrong Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 20, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Armstrong-Ringsted Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Armstrong-Ringsted Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and is not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weaknesses.

A *deficiency* in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as item 12-II-A and 12-II-B to be material weaknesses in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Armstrong-Ringsted Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Armstrong-Ringsted Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Armstrong-Ringsted Community School District's responses, and accordingly, we express no opinion on them.

The purpose of this report is solely to provide an opinion on the County's compliance with the compliance requirements that could have a direct and material effect on each of its major federal programs. Accordingly, this report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Armstrong-Ringsted Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
February 20, 2013

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

PART I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS

- (A) An unqualified opinion was issued on the financial statements.
- (B) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (C) The audit did not disclose any non-compliance, which is material to the financial statements.

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE: No matters were reported.

MATERIAL WEAKNESSES:

12-II-A Financial Reporting

Observation – During our audit, we identified material and immaterial amounts of cash, inventories, capital assets, payables, fund balance, revenues and expenses not properly recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all cash, inventory, capital assets, payables, fund balance, revenues and expenses are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any cash, inventory, capital assets, payable, fund balance, revenue or expense transactions.

Conclusion – Response accepted.

12-II-B Segregation of Duties

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District’s financial statements. While performing our review, it was determined that incompatible duties in the cash receipts and revenue area and in the payroll area are being performed by the same employee.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

Response – The District feels that additional personnel would not be cost effective. However, management and the school board will review procedures and investigate available alternatives.

Conclusion – Response accepted.

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

12-III-A: Certified Budget – Disbursements for the year ended June 30, 2012 exceeded the certified budget amounts in the Non-Instructional Programs and Other Expenditures functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended for insufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

12-III-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

12-III-C: Travel Expense – No expenditures of Armstrong-Ringsted Community School District were for travel expenses of spouses of District officials or employees.

12-III-D: Business Transactions – No business transactions between the District and the District officials or employees were noted.

12-III-E: Bond Coverage - Surety bond coverage of Armstrong-Ringsted Community School District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

12-III-F: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.

12-III-G: Certified Enrollment – The number of resident students reported to the Iowa Department of Education in row 1 of the Certified Enrollment Certification Form for October of 2011 was overstated. The District's certified enrollment count included 1 student who was not in attendance in the Fall of 2011. This resulted in overstating the total actual enrollment in row 7 by 1 student.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)**

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

12-III-H: Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

12-III-I: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

12-III-J: Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.

12-III-K: Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

12-III-L: Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision of chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District's reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit.

Beginning Balance		\$ 506,512
Statewide Sales and Services Tax Revenue	230,526	
Other	5,779	236,305
		<u>742,817</u>
Expenditures/Transfers Out:		
School Infrastructure:		
Facilities Acquisition	230,186	<u>230,186</u>
Ending Balance		<u><u>\$ 512,631</u></u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)**

12-III-M: Deficit Balances – No funds had deficit balances at June 30, 2012.

12-III-N: Student Activity Fund: - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's education program. All moneys in Student Activity Fund appear to be extracurricular or co-curricular in nature.

12-III-O: Depository Resolution – Armstrong-Ringsted Community School District has not adopted a depository resolution as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – We recommend the District adopt a depository resolution so they are in accordance with the Code of Iowa.

Response – The District will adopt a depository resolution.

Conclusion – Response accepted.

12-III-P: Competitive Quotations for Public Improvements – The District did not receive written bids for a project costing \$66,888 in accordance with Iowa Code 26.14, which requires written bids for projects costing \$48,000 or more.

Recommendation – Before entering into a contract for a public improvement with an estimated total cost in excess of \$48,000, the District should make a good faith effort to obtain quotations for the work from at least two contractors regularly engaged in such work.

Response – We will receive written notices for public improvements in the future as required.

Conclusion – Response accepted.

12-III-Q: Notice to Public for Disposal of Assets – The District did not publish notice of the sale of two buses in accordance with Iowa Code 297.22.

Recommendation – Before disposing of assets, the District should publish the sale in at least one insertion each week for two consecutive weeks in a newspaper having general circulation in the district.

Response – We will publish future sales as required.

Conclusion – Response accepted.